

Message Text

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INFO AMEMBASSY BONN

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AMEMBASSY COPENHAGEN

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PASS AGRICULTURE FOR HUME

E.O. 11652: N/A

TAGS: EAGR ENRG EEC

SUBJECT: EFFECTS OF ENERGY SITUATION ON AGRICULTURAL TRADE

REF: (A) FASTO CIRCULAR NO. 296; (B) EC BRUSSELS 6883

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1. SUMMARY. THE IMPACT OF THE FUEL CRISIS ON THE COMMUNITY'S

AGRICULTURAL PRODUCTION AND TRADE IS, AT PRESENT, DIFFICULT TO ASSESS BECAUSE THE ENERGY SUPPLY SITUATION IS FLUID AND UNCLEAR. COMMISSION OFFICIALS BELIEVE THAT EVEN A SEVERE OIL SHORTAGE NEED NOT HAVE A DIRECT IMPACT ON MECHANIZED FARM OPERATIONS BECAUSE AGRICULTURE CONSUMES ONLY A SMALL FRACTION OF THE TOTAL OIL USED IN THE COMMUNITY. THE INDIRECT IMPACT OF THE FUEL CRISIS ON AGRICULTURE AND AGRICULTURAL TRADE (I.E. THE IMPACT ON THE TRANSPORTATION OF FARM COMMODITIES, ON THE AVAILABILITY OF FARM INPUTS AND PARTICULARLY ON THE AGRICULTURAL PROCESSING INDUSTRY) IS COMPLETELY UNCERTAIN, HOWEVER. THERE ARE AT PRESENT ONLY A FEW SPORADIC REPORTS OF THESE INDIRECT EFFECTS OF THE OIL CRISIS ON AGRICULTURE. END SUMMARY.

2. THE IMPACT OF THE FUEL CRISIS ON THE COMMUNITY'S AGRICULTURAL PRODUCTION AND TRADE IS, AT PRESENT, DIFFICULT TO ASSESS BECAUSE THE OVERALL SUPPLY SITUATION OF FUEL IS UNCERTAIN. AS REPORTED IN REF. B, THE COMMISSION EXPECTS A SHORTFALL IN THE COMMUNITY'S CRUDE OIL IMPORTS OF 15 TO 20 PERCENT IN DECEMBER. THE COMMISSION ESTIMATES THAT A TWENTY-PERCENT SHORTFALL IN IMPORTS WOULD SERIOUSLY AFFECT ECONOMIC ACTIVITY.

3. THE COMMISSIONER FOR AGRICULTURE, ILLINOIS, INSTRUCTED THE COMMISSION SERVICES TO PREPARE A STUDY ON THE IMPACT OF THE OIL CRISIS ON AGRICULTURE. IT IS UNCERTAIN WHEN THIS STUDY WILL BE FINISHED. HOWEVER, COMMISSION OFFICIALS EXPRESSED THE OPINION THAT EVEN A SEVERE OIL CRISIS WOULD NOT HAVE A DIRECT IMPACT ON MECHANIZED FARM OPERATIONS BECAUSE AGRICULTURE CONSUMES ONLY A SMALL FRACTION OF ALL PETROLEUM PRODUCTS USED IN THE COMMUNITY. (IN 1971, THE LATEST YEAR FOR WHICH STATISTICS ARE AVAILABLE, AGRICULTURE IN THE SIX OLD MEMBER STATES ACCOUNTED FOR ABOUT 2 PERCENT OF TOTAL FUEL CONSUMPTION.) COMMISSION OFFICIALS ARE ALSO CONVINCED THAT IN CASE OF A SEVERE CRISIS, AGRICULTURE WILL RECEIVE A VERY HIGH PRIORITY IN THE ALLOCATION OF OIL.

4. THERE IS, HOWEVER, GREAT UNCERTAINTY ABOUT THE INDIRECT IMPACT OF A SEVERE OIL SHORTAGE ON AGRICULTURE AND AGRICULTURAL TRADE. NO ESTIMATES OR APPRAISALS ARE PRESENTLY AVAILABLE NOR FEASIBLE AS TO THE POSSIBLE EFFECT OF A SEVERE OIL SHORTAGE ON THE TRANSPORTATION OF AGRICULTURAL PRODUCTS, ON THE AVAILABILITY LIMITED OFFICIAL USE

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OF AGRICULTURAL INPUTS (I.E. FERTILIZERS AND PESTICIDES) AND, IN PARTICULAR, ON THE EFFECTS OF THE OIL CRISIS ON THE AGRICULTURAL PROCESSING INDUSTRY.

5. THERE ARE A NUMBER OF SCATTERED REPORTS ON THE INITIAL EFFECT OF THE OIL CRISIS. THUS, ACCORDING TO COMMISSION SOURCES, THE ARRIVAL OF SOYBEAN CARGOES IN ROTTERDAM HAS BEEN SLOWED DOWN BECAUSE THE CAPTAINS FEAR THEY WILL BE UNABLE TO REFUEL IN THIS

PORT. WE ALSO UNDERSTAND THAT SUGAR FACTORIES IN NORTH-RHINE
WESTPHALIA ARE EXPERIENCING DIFFICULTIES IN PROCESSING SUGAR
BEETS DUE TO FUEL SHORTAGES FINALLY, WITH RESPECT TO PARAGRAPH
3(A)OF REFTTEL. A, IT MAY BE WORTH REPORTING THAT ACCORDING TO
"LE MONDE" OF NOVEMBER 28, 1973, THE FIRM PHILDAR AT ROUBAIX
IN FRANCE, WHICH PROCESSES SYNTHETIC FIBERS, HAD TO CLOSE
TEMPORARILY DUE TO A SHORTAGE IN RAW MATERIALS.GREENWALD

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